

Outlook

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THE NEWSLETTER OF MARAC | COMMERCIAL EDITION

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2009 has been a testing year for New Zealand businesses; however, we are now seeing positive signs of improvement in the economy, with most SMEs heading into 2010 with a more positive outlook for the future.

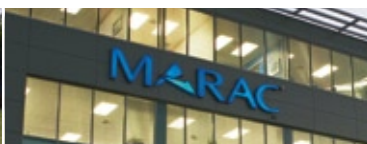
In this edition of *Outlook*, you'll find out how you can save time when purchasing new company vehicles using MARAC's new Accelerator Card. We understand that filling out forms is an inconvenience when you need new vehicles on a regular basis. That's why we introduced the Accelerator Card – a pre-approved vehicle finance card you can use multiple times without having to repeat the paperwork. It's a convenient and hassle-free way to acquire new vehicles as your business needs them. More information on the Accelerator Card can be found on page 3 of this *Outlook*.

Also inside, Jeff Greenslade, PGC and MARAC Managing Director, shares the results of PGC's (our parent company) successful capital raising and how as a result, MARAC's balance sheet has never been stronger.

You'll find our regular "Economic Outlook" feature on page 4, in which Chris Tennent-Brown, CBA NZ Economist for the Commonwealth Bank of Australia offers some "Lessons from 2009". We also introduce you to a member of the MARAC business team: Greg Columbus, who services most of the lower South Island.

From everyone at MARAC, thank you for your support in 2009 – we wish you all the best in business for 2010.

Mike Fickling
Manager - Commercial



MARAC

Pyne Gould Corporation's capital raising a success



In September MARAC's parent company, Pyne Gould Corporation Limited (PGC), announced it would undertake a significant capital raising through a rights issue, placement and share purchase plan to help achieve its objective of becoming a New Zealand publicly listed banking* and asset management company. This process was successfully completed on 30 November and raised a total of \$273m – which demonstrates the strength of PGC and its associated businesses.

The capital raising was supported by many of PGC's long-standing shareholders as well as a number of new individual and institutional investors.

As a result of the capital raising, MARAC has received:

- \$125m to partially fund the sale of certain impaired property development loans to another entity within the PGC group
- a \$35m capital injection.

Together these proceeds are expected to ensure that MARAC will comply with the proposed non-bank deposit taker regulations and be well-positioned to apply to become a registered bank.

With shareholder funds at all-time record high levels, increased liquidity and a much lower exposure to property development, MARAC's balance sheet has never been stronger.

PGC's allocation of funds

Along with recapitalising and strengthening MARAC's balance sheet, PGC has repaid all of its bank debt, allocated \$33m to take up rights in PGG Wrightson Limited's rights issue, and retained over \$25m for other investment opportunities.

Looking to the future for MARAC

MARAC has the opportunity to capitalise on any value-enhancing consolidation opportunities that may arise in the finance sector.

Any potential acquisition would have to be in line with our core business of providing vehicle, plant and equipment, and working capital finance to New Zealand businesses and consumers. This rules out any failed property development finance companies. We are firmly focused on regaining an investment grade credit rating. Once this is achieved, the goal will be to apply to become a registered bank. This has the potential to create significant value for MARAC and therefore PGC shareholders.

The pathway to becoming a registered bank is clear in our minds, but the review process is complex, involving both a qualitative and quantitative assessment. This means we are unable to set a definite timeframe for achieving this goal. There is also no certainty that MARAC will be able to meet all of the relevant criteria set by the Reserve Bank of New Zealand for becoming a registered bank. That said, we will continue to pursue opportunities to accelerate the process and are working closely with the rating agency, Treasury and the Reserve Bank.

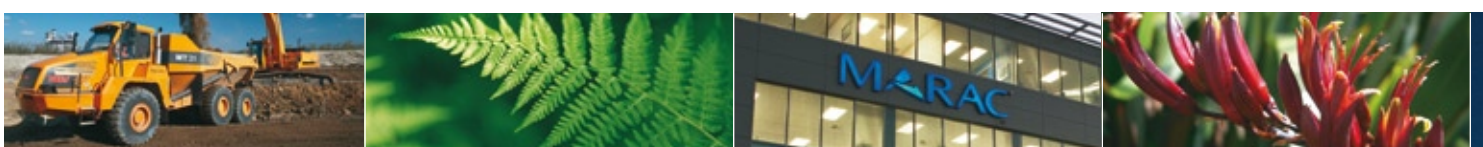
We are fortunate to have an experienced, highly skilled and capable team, the capital resources (thanks to PGC's support) and a clear strategy to see MARAC and the PGC Group's associated businesses through this challenging environment.

We are firmly committed to our tradition of providing finance to New Zealanders and their businesses.

I would like to thank you for your ongoing support and wish you all the best for 2010.

Jeff Greenslade
Chief Executive Officer

* Neither PGC nor MARAC is a registered bank under the Reserve Bank of New Zealand Act 1989.



Make all your vehicle purchases using the MARAC Accelerator Card

At MARAC, we know you want to spend less time doing paperwork and more time running your business. That's why we've introduced the MARAC Accelerator Card – this new service allows you to complete one set of paperwork to establish a pre-approved credit limit that you can use for numerous vehicle finance purchases or leases.

What is the MARAC Accelerator Card?

The MARAC Accelerator Card is a new service that allows you to complete one set of paperwork to establish a pre-approved credit limit which you can use for numerous vehicle finance purchases or leases.

What sort of business will benefit from the MARAC Accelerator Card?

Small, medium and large businesses – the MARAC Accelerator Card is suitable for all businesses.

How does the MARAC Accelerator Card work?

Once your finance application is approved and your pre-approved amount agreed, you can then use your MARAC Accelerator Card as and when you need it for financing or leasing vehicles.

Using your MARAC Accelerator Card to finance a vehicle.

1. When you've found the vehicle you want, give us a call.
2. We'll discuss the repayment term you'd like (up to five years) and when you need the money transferred to the dealer you're making the purchase from.
3. We'll then transfer the funds directly to the dealer and you drive away – no paperwork required.

Using the MARAC Accelerator Card to lease a vehicle.

1. When you've found the vehicle you want, give us a call.
2. We'll discuss the lease term (up to five years), residual value and when you need the money transferred to the dealer you're leasing from.
3. You'll then be sent a pre-printed lease agreement to sign and return – this is necessary as the lease term and residual value need to be agreed for each individual vehicle. This agreement will take you less than five minutes to complete.
4. We'll then transfer the funds directly to the dealer and you drive away.

How do I keep track of my MARAC Accelerator Card balance?

Each time you purchase or lease a vehicle, your pre-approved balance will reduce – we'll let you know what your remaining limit is by sending you a statement after each purchase.

What are the rates and loan terms available for the MARAC Accelerator Card?

Like all of our finance products, you'll find the MARAC Accelerator Card offers the same flexible terms, competitive interest rates and top customer service you've come to expect from MARAC.

Do I need to pay a deposit or can I finance 100% of the vehicle price?

No, you don't need to pay a deposit unless you wish to.

Should I buy or lease?

It will depend on each individual business' circumstances. You can ring your local Financial Services Manager on 0800 520 009 and discuss which option is best, or below is an overview of the differences between finance and lease so you can decide for yourself.

	Finance	Finance Lease	Operating Lease
What is the frequency of the payments?	Monthly or structured	Monthly or structured	Monthly
What terms are available?	Up to 60 months	Up to 60 months	6 to 45 months for passenger vehicles 6 to 60 months for commercial vehicles
Does the plan include servicing?	No	No	Optional
Is there a limit on the distance I can travel over the term?	N/A	No – but the distance travelled will affect the residual value	Yes
What happens if I travel over the agreed kilometres?	N/A	N/A	You'll be charged the agreed rate for excess kilometres
Am I responsible for a residual value at the end of the contract?	N/A	Yes	No
Does the vehicle appear on my balance sheet?	Yes, as an asset	It's dependent on accounting compliance	No
Can I claim depreciation on the vehicle?	Yes	It's dependent on lease term	No
Can I claim tax on the interest?	Yes	It's dependent on the lease term	N/A
The vehicle is for business purposes, can I claim the GST?	Yes	Yes	Yes

How do I apply for a MARAC Accelerator Card?

If you think a MARAC Accelerator Card would benefit your business, please contact your local Financial Services Manager, email us at acceleratorcard@marac.co.nz or call us on 0800 520 009. We're here to help.

Mike Fickling

Manager - Commercial

MARAC Finance Limited's lending and credit criteria apply.

Lessons from 2009

The New Zealand economy contracted 3% over 15 months during the worst global downturn since World War II. At the start of 2009 we expected the worst and hoped for the best. Our forecast was for the economy to contract in each quarter of 2009 and emerge from recession in 2010.

The RBNZ cut the OCR to 2.5%, which is 2% below the previous low point and 1% lower than our expectations at the start of 2009. However, as prospects have improved over the course of 2009, the expectations of when the RBNZ will start lifting rates have been brought forward. We now expect the RBNZ to continue to hold the OCR at 2.5% until the second quarter of 2010, and expect the OCR to increase to 5.5% by June 2011.

The new Government's first Budget had to trade off the need to stimulate the economy against the threat of an expensive credit rating downgrade. On this front, the Government has so far been successful. The New Zealand Government suspended planned tax cuts, and was not in a position to spend as much as governments elsewhere. However, the maintenance of credit ratings reflects the prudence of both the current and previous governments.

One lesson from 2009 is that aggressive economic policy works. Low interest rates and fiscal stimulus helped the economy emerge from recession earlier than we expected. An improving outlook for the global economy reflects similar policy success offshore. New Zealand's main trading partners' GDP forecasts have noticeably improved over the year.

Despite the recent improvement in the global economy, the export outlook remains subdued. The depreciation in the New Zealand dollar earlier this year proved to be short lived, leaving a missed window of opportunity for many exporters. The New Zealand dollar is likely to remain strong against the greenback and pound in 2010, which poses a challenge for exporters.

Australia is New Zealand's biggest trading partner, and a favourable NZD/AUD combined with the robust state of the Australian economy is a big plus for New Zealand exporters.

New Zealand and Australia's prospects for 2010 are different. Australia has avoided recession, whereas New Zealand has had a protracted recession and our recovery looks more vulnerable. These differences have been highlighted by the RBNZ recently. The strong Australian economy is good news for New Zealand, and Governor Bollard noted that New Zealand could improve its prospects by taking advantage of Australia's very strong future growth potential: "Australia is a lucky country, but we could be a lucky neighbour."

Chris Tennent-Brown

CBA NZ Economist

Commonwealth Bank of Australia

MEET THE TEAM

Introducing Greg Columbus



Greg brings a wealth of knowledge and expertise in commercial lending to MARAC in the Otago/Southland region, and is well known and trusted by many businesses throughout the area.

Greg has 20 years of asset finance experience, starting with Natwest Finance in the mid 1980s. Natwest became part of UDC Finance a few years later and Greg was appointed manager of UDC's Nelson office. This busy five-person branch covered the top of the South Island, providing finance to a wide range of industries, including mining, agriculture, viticulture, aviation, construction, earthmoving, transport, commercial fishing, forestry and tourism - as well as a variety of smaller niche industries.

In 1998 Greg took the opportunity to return home to Otago and manage the larger Dunedin branch, and he joined MARAC's team in 2005.

In his spare time Greg enjoys surfing, sailing and spending time with his wife and three children.

"Customers are the single most important asset a business can have. Successful outcomes revolve around providing workable financial solutions, understanding our core industries and the needs of the businesses within those industries".

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Readers are urged:

1. to seek specific advice on any particular matter from a qualified professional person and
2. not to rely solely on this text.

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